Part II

Declaration Form - Annual Reporting

I, the undersigned, confirm that the:

- annual quantitative reporting templates;
- annual national specific templates;

for the period 01 / 01 / 20 to 31 / 12 / 20 have been approved by the Board of Directors:

CLIVE CHIPPERFIELD

Name

Signature

Director of the undertaking on behalf of the Board of Directors.

Date 04 May 2021

Part III

Declaration Form – Regular Supervisory Report

I, the undersigned, confirm that the:

- regular supervisory report (“RSR”)

for the period 01 /01/20 to 31 /12 / 20 has been approved by the Board of Directors:

CLIVE CHIPPERFIELD

Name

Signature

Director of the undertaking on behalf of the Board of Directors.

Date 04 May 2021

Part VI

Declaration Form – Solvency and Financial Condition Report

I, the undersigned, confirm that the:

- solvency and financial condition report (“SFCR”)

for the period 01 /01 /20 to 31 / 12 / 20 has been approved by the Board of Directors:

CLIVE CHIPPERFIELD

Name

Signature

Director of the undertaking on behalf of the Board of Directors.

Date 04 May 2021

ArgoGlobal Holdings (Malta) Limited

Group Solvency and Financial Condition Report (GSFCR)

31st December 2020

Contents

EXECUTIVE SUMMARY

Group's Background and Business

The board of directors would like to bring to the attention of the readers that the Argo Group Solvency & Financial Condition Report (SFCR) does not materially differ from the Solo Solvency & Financial Condition Report. This is due to the fact that the only two companies within the Insurance Group is the Insurance Holding Company (ArgoGlobal Holdings (Malta) Limited) and the Insurance Undertaking (ArgoGlobal SE).

The Insurance Holding Company soley holds shares in the Insurance Undertaking that is ArgoGlobal SE. No trading takes place within the Insurance Holding Company except that of holding shares in the sole subsidiary which is ArgoGlobal SE.

This section "Group SFCR" discloses any material transactions which are not disclosed in the Solo SFCR and covers additional requirements that fall within the scope of Group supervision and disclosure relating to the Group. Where there are no material changes reference is made to the Solo disclosures in the attached document, Section A to E.

ArgoGlobal SE (AGSE) was authorised by the Malta Financial Services Authority (MFSA) on the 12th December, 2011, to expand Argo Group's reach into Continental Europe. AGSE is authorised under the Insurance Business Act (Cap 403) to carry on the business of insurance restricted to risks outside Malta in the following classes of business.

Classes of Business of Insurance

- Class 1 – Accident
- Class 2 – Sickness
- Class 3 – Railway Rolling Stock
- Class 6 – Ships
- Class 7 – Goods in Transit
- Class 8 – Fire and natural forces
- Class 9 – Other damage to property
- Class 12 – Liability for Ships
- Class 13 – General liability
- Class 15 – Suretyship
- Class 16 – Miscellaneous financial loss

System of Governance

The organisational structure of the Company is aimed at supporting the strategic objectives and operations of the Company. The structure is made up of various committees and functions the Company has in place to ensure good governance of the Company. The Company's organisational structure has been designed to maximise the Board's resources and to instil the principles of the three lines of defence within the organisation.

Directors

During the year ended 31 December 2020, the Directors of AGSE were:

- Mr Clive Chipperfield
- Mr Hermann Mitterlechner
- Mr Stephen Portelli – resigned on 28th January 2020
- Mr Alfredo Alonso – appointed on 9th April 2020 and resigned on 9th May 2020
- Ms Katie McGregor
- Mr Matthew Harris
- Mr Anthony Kavanagh

Company Secretary

- Dr Edmond Zammit Laferla

Outsourced Activities

The Company has identified the following functions as key functions, which are outsourced:

- Insurance management – located in Malta
- Compliance Function – located in Malta

Business Model and Financial Performance

AGSE implemented its strategy over the course of 2020 however this was impacted by the pandemic and the change of strategy at the end of 2020. The Company was below plan due to a lack of new business traction across multiple classes of business linked with the changed environment in which the company operates.

Lower premium production in the Commercial Combined book primarily impacted by the economic slowdown of Covid 19 the cancellation of several coverholders and lower premium in Accident Health resulting from reporting changes by the coverholder This was partially offset by higher premium production in the open market portfolio of Professional Lines driven by additional coverage purchased on an existing account in September and favorable rate increases.

The GWP was below plan due to lower premium production in the Commercial Combined book primarily impacted by the economic slowdown of Covid 19 a lack of new business traction across multiple classes of business tthe cancellation of several coverholders and the non renewal of the Cargo book in the Marine line of business This was partially offset by higher premium production in the open market portfolio of Professional Lines driven by favourable rate increases, some higher than planned new business and additional coverage purchased on an existing account and higher premium production in Pen SME as a result of better than expected transfer activity and higher than anticipated new business leads

During the year under review, the Company made a loss of EUR3.9m (2019: incurred a loss of EUR3.5m). As of 31 December 2020, total equity amounted to EUR20.85m (2019: EUR24.8m).

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	2020 EUR '000	2019 EUR '000
Technical Account – general business			
Gross premiums written	10.1	**72,091**	72,591
Outward reinsurance premiums	10.1	**(65,969)**	(66,135)
Net premiums written		**6,122**	6,456
Change in the gross provision for unearned premiums		**2,568**	22,763
Change in the provision for unearned premiums, reinsurers' share		**(2,506)**	(20,907)
Net change in provision for unearned premiums		**62**	1,856
Earned premiums net of reinsurance	15	**6,184**	8,312
Commission Income		**20,818**	24,802
Allocated investment return transferred from the non-technical account	7	**4**	13
Total Other Income		**20,822**	24,815
Total Technical Income		**27,006**	33,127
Claims paid:			
- Gross amount		**(49,509)**	(29,208)
- Reinsurers' share		**44,851**	26,362
Net claims paid		**(4,658)**	(2,846)
Change in provision for claims:			
- Gross amount	10.2	**(36,313)**	(76,247)
- Reinsurers' share	10.2	**34,822**	69,072
Net change in provision for claims		**(1,491)**	(7,175)
Claims incurred net of reinsurance		**(6,149)**	(10,021)
Net operating expenses	4	**(24,137)**	(26,968)
Total technical charges		**(30,286)**	(36,989)
Balance on the technical account – general business (page 12)		**(3,280)**	(3,862)

Valuation for Solvency Purposes

The variance between IFRS Capital and Solvency II Eligible Capital is mainly due to the following factors:

1. Deferred Commission Income, which follows the same principle as the Deferred Acquisition Costs, where the deferred income is not considered as an admissible liability under Solvency II valuation base as it would have already been paid by the reinsurers or accounted for separately.
2. Deferred Acquisition Costs are not allowed in the Solvency II Balance Sheet as the company does not expect future benefits / cash flow from this asset.
3. Technical Provisions which, for Solvency II purposes, are discounted using the established yield curves by EIOPA.

Capital Management

In assessing its future solvency needs, the Company analysed the capital requirements for each projected year and whether the eligible capital would continuously comply with Solvency II regulations. In assessing the regulatory capital requirements the Board considered the following three aspects laid down in the guidelines:

- The potential future material changes in the risk profile.
- The quantity and quality of its own funds over the whole of its business planning period
- The composition of its own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during its business planning period.

The Company has a simple shareholding structure made up of Tier 1 issued share capital that is 100 percent admissible under Solvency II. Therefore, there are no planned redemptions, repayment or maturity dates linked to its share capital. The Company would only obtain share capital from its Parent if the benefit derived from insuring new risks outweighs the cost of capital to cover that risk.

1 GROUP'S BUSINESS AND PERFORMANCE

The board of directors would like to bring to the attention of the readers that the Argo Group Solvency & Financial Condition Report (SFCR) does not materially differ from the Solo Solvency & Financial Condition Report. This is due to the fact that the only two companies within the Insurance Group is the Insurance Holding Company (ArgoGlobal Holdings (Malta) Limited) and the Insurance Undertaking (ArgoGlobal SE).

The Insurance Holding Company soley holds shares in the Insurance Undertaking that is ArgoGlobal SE. No trading takes place within the Insurance Holding Company except that of holding shares in the sole subsidiary which is ArgoGlobal SE.

This section "Group SFCR" discloses any material transactions which are not disclosed in the Solo SFCR and covers additional requirements that fall within the scope of Group supervision and disclosure relating to the Group. Where there are no material changes reference is made to the Solo disclosures in the attached document, Section A to E.

The companies within the scope of Group Supervision that fall within the scope of the Group Solvency requirements are:

- ArgoGlobal Holdings (Malta) limited – Insurance Holding Company
- ArgoGlobal SE – Insurance Undertaking

The legal structure of the Insurance Holding Company is that of a limited liability company.

The organisation of the Insurance Holding Company comprise of the Board of Directors as established by the Memorandum and Articles of Association of the Company. All major decisions with respect to company strategy with respect to insurance activities are taken at the Insurance Undertaking level. Please refer to B1 on the organisation structure of the Insurance Undertaking.

The directors of the holding company are:

- Mr Clive Chipperfield
- Mr Stephen Portelli

2 GROUP'S SYSTEM OF GOVERNANCE

Since the Insurance Holding Company does not trade, the System of Governance of the Group takes place at the Insurance Undertaking level. Please refer to the Section B – Systems of Governance.

The Insurance Holding Company has not made use of the option provided in the third sub-paragraph of Article 264(4) of Directive 2009/138/EC, that is applying to the Competent Authority to undertake an assessment at the level of the Group and at the level of the Insurance Undertaking at the same time to produce a single Own Risk and Solvency Assessment (ORSA). As already pointed out above, the Group ORSA and the Solo ORSA do not materially differ in view of the fact that Group consists of two companies, due to the immaterial nature of the Insurance Holding Company activities that is solely to hold shares in the Insurance Undertaking. It should also be noted that there are no contractual intra-group outsourcing arrangement in place.

3 GROUP'S VALUATION FOR SOLVENCY PURPOSES

The bases, methods and main assumptions used at group level for the valuation for solvency purposes of the group's assets, technical provisions and other liabilities are consistent with those used by the Insurance Undertaking for the valuation for solvency purposes of its assets, technical provisions and other liabilities.

	Assets	Liabilities	Eligible Capital
Group SCR Cover (*Insurance Holding & Insurance undertaking*)	336,935,005	318,327,429	18,607,576
Sole SCR Cover *(Insurance Undertaking)*	336,787,432	318,265,828	18,521,604
Variance	**147,573**	**61,601**	**85,972**

4 GROUP'S CAPITAL MANAGEMENT

The method of calculation of solvency at the level of the Group has been carried out in accordance with Method 1 – accounting consolidation based method (default method) in line with Article 230 of the Solvency II Directive. The Insurance Holding Company does not carry out insurance business and therefore the risks calculated under the standard formula for the purposes of the Group SCR are identical to SCR risks at Insurance Undertaking level except for the counterparty default risk on the Insurance Holding Company's cash and investments. The SCR cover at Insurance Holding Company level is 137% (compared to 136% at Insurance Undertaking level).

	% Cover	SCR	Eligible Capital
Group SCR Cover (Insurance Holding & Insurance undertaking)	137%	13,627,675	18,607,755
Sole SCR Cover (Insurance Undertaking)	136%	13,630,080	18.521,604
Variance	**1%**	**(2,405)**	**86,151**

There are no restrictions with regard to the fungibility and transferability of owns funds eligible for covering the Group Solvency Capital Requirement. A full consolidation of data of the Insurance Holding Company and the Insurance Undertaking was carried out hence no other method of consolidation referred in Article 336 of EU Regulation 2015/35 has been used. There were no Group diversification effects that were availed of in view that the consolidation only entailed the Insurance Holding Company and the Insurance Undertaking.

A. BUSINESS AND PERFORMANCE

A.1 Business

ArgoGlobal SE is registered and domiciled in Malta as a limited liability company under the Company Act, 1995, Cap.386 of the Laws of Malta. The Company's registration number is SE 2. The registered address of the Company is:

ArgoGlobal SE
Aragon House, Dragonara Road
St Julian's, STJ 3140
Malta

The company is licensed by the Malta Financial Services Authority (MFSA) as an insurance company in terms of the Insurance Business Act, 1998, Cap.403 of the Laws of Malta.

The MFSA is the supervisory authority for financial supervision of the undertaking as well as that of the Malta Group.

The MFSA contact details are as follows:

Ray Schembri – Head Insurance and Pension Supervision
Insurance and Pensions Supervision Unit
Malta Financial Services Authority
Notabile Road
Attard BKR 3000
Malta
Phone: 356-2144-1155
Direct: 356-9911-2350
Fax: 356-2144-9311
Email: rschembri@mfsa.com.mt
Web: www.mfsa.com.mt

Auditors

The independent auditors of the Company are:

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

Share Capital and Reserves

	2020	2019
	EUR	EUR
Authorised shares		
9,999,999 'A' ordinary shares of EUR1 each	10,000	10,000
1 'B' ordinary share of EUR1	-	-
	10,000	10,000
Issued and fully paid		
7,749,999 'A' ordinary shares of EUR1 each	7,750	7,750
1 'B' ordinary share of EUR1	-	-
	7,750	7,750

Shareholders

The immediate parent company of ArgoGlobal SE is Argo Global Holdings (Malta) Limited, a company with registered address at Aragon House Dragonara Road, St Julian's, STJ 3140, Malta.

The ultimate parent company of ArgoGlobal SE is Argo Group International Holdings Ltd., a company with registered address at 90 Pitts Bay Road, Pembroke HM08, Bermuda.

A.2 Business Activities

Company's strategy, objectives and key business segments.

The principal activity of the ArgoGlobal SE (AGSE) is the transaction of general business insurance. As at the end of 2020, AGSE can underwrite business that fall under the following classes of business:

- Class 1 – Accident (I/R)
- Class 2 – Sickness (I/R)
- Class 4 – Railway Rolling Stock (I/R)
- Class 6 – Ships (I/R)
- Class 7 – Goods in Transit (I/R)
- Class 8 – Fire and Natural Forces (I)
- Class 9 – Other Damage to Property (I)
- Class 12 – Liability for Ships (I/R)
- Class 13 – General liability (I/R)
- Class 15 – Suretyship (I)
- Class 16 – Miscellaneous financial loss (I/R)

AGSE Strategy, in line with overall Europe strategy, will be based on four pillars i e Financial, Customer, People and Organization. AGSE implemented its strategy over the course of 2020 however this was impacted by the pandemic and the change of strategy at the end of 2020. The Company was below plan due to a lack of new business traction across multiple classes of business linked with the changed environment in which the company operates.

Argo Group International Holdings, Ltd. is an international underwriter of specialty insurance and reinsurance products in areas of the property and casualty market. Through its operating subsidiaries, Argo Group offers a comprehensive line of products and services designed to meet the unique coverage and claims-handling needs of clients in four business segments:

- Excess & Surplus Lines
- U.S. Commercial Specialty
- International Specialty
- Lloyd's Syndicate 1200 and Lloyd's Syndicate 1910

Argo Group is listed on the New York stock exchange under the symbol AGGO and is regulated by the United States Securities & Exchanges Commission.

Argo's expansion into international markets and the reinsurance business began in 2007 when Argonaut Group merged with Bermuda-based PXRE Group, creating Argo Group. Subsequent to this merger the company headquarters was moved from San Antonio to Bermuda. Concurrently, Argo Group's reinsurance company, Argo Re was formed. In 2008, Argo Group acquired Heritage, a specialist insurer and Lloyd's syndicate.

Currently, Argo Group has offices in nine geographies, including the U.S., Brazil, Europe and the UAE. Through its 30 locations, Argo writes business in numerous countries across the world. In 2011, Argo launched a new entity in Malta – ArgoGlobal SE - to serve markets in the European Union with primary and excess general and professional liability coverage. ArgoGlobal SE, Malta was granted its license at the end of December 2011.

AGSE has also established a branch in Zurich.

Major shareholders.

See Section A1.

A list of major branches.

ArgoGlobal SE has a branch located in Switzerland - Dufourstrasse 101, Zurich

Argo Switzerland underwrites financial lines business in Switzerland. The majority of the business is primary layer D&O and PI risks but the Company also writes a small number of global corporate policies in excess layer accounts. The business written in 2020 is made up of Miscellaneous Financial Loss and Professional Lines policies.

A.3 Underwriting Performance
Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	2020 EUR '000	2019 EUR '000
Technical Account – general business			
Gross premiums written	10.1	**72,091**	72,591
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Total technical charges		**(30,286)**	(36,989)
Balance on the technical account – general business (page 12)		**(3,280)**	(3,862)

A.4 Investment Performance

The investment income during 2020 was low due to the current low interest rate environment. It is also driven by the highly conservative investment strategy adopted by the company.

Permitted investments for the investment portfolio include: Domestic and non-domestic government and government agency securities, supranational securities, securitized obligations, corporate bonds and debt, US municipals, bank deposits and short term money market instruments, and units in certain collective investment scheme funds.

7. INVESTMENT INCOME

	2020 EUR '000	2019 EUR '000
Interest income from AFS investments	**259**	208
Dividend income from AFS investments	**-**	3
Amortisation of AFS investments	**(201)**	(152)
Realised gain on AFS investments	**16**	28
Unrealised gain/(loss) on AFS investments	**-**	52
	74	139
Allocated as follows:		
- Technical account	**4**	13
- Non-Technical Account	**70**	126
	74	139

A.5 Performance of other Activities and Any Other Information

No other material information that merits disclosure.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

During the year ended 31 December 2019, the Directors of AGSE were:

- Mr Clive Chipperfield
- Mr Hermann Mitterlechner
- Mr Stephen Portelli – resigned on 28th January 2020
- Mr Alfredo Alonso – appointed on 9th April 2020 and resigned on 29th May 2020
- Ms Katie McGregor
- Mr Matthew Harris
- Mr Anthony Kavanagh

Insurance Managers

Marsh Management Services Malta Limited, The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, Balluta Bay, St Julian's, STJ 1062, Malta.

The ultimate responsibility for sound and prudent management of the business of the Company shall rest with its Board of Directors. The following matters are reserved for the Board:

1. Strategy, planning and performance

a) Consider and approve the Company's long-term objectives and commercial strategy, taking into account the strategic plans of Argo Group as appropriate;
b) Approve any extension of the Company's activities into new business lines or geographic areas, or any decision to cease to operate all or any material part of the Company's business;
c) Approve any extension of the Company's subsidiaries' activities into new business lines or geographic areas, or any decision to cease to operate all or any material part of the Company's or subsidiaries' business;
d) Approve any changes to the Company's capital structure or any significant changes to its management and control structure;
e) Approve major investments, including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any takeover offer;
f) Approve underwriting strategies and aligned investment strategies.

2. Finance

a) Approve the annual operating budget for the Company and its subsidiaries and any material changes to it taking into account the strategic plans of Argo Group as appropriate;
b) Approve the expenses, budget and business plan for the Company taking into account the strategic plans of Argo Group as appropriate;
c) Approve the key accounting policies or practices applying to the Company taking into consideration the recommendation of Argo Group's Audit Committee;
d) Approve the Company's annual financial statements;
e) Approve dividends to the Company's shareholder;
f) Approve treasury policies, including foreign currency exposure and the use of financial

derivatives;

g) Approve the opening of bank accounts for the Company and any related mandates;
h) Approve the issue or cancellation of any shares of the Company;
i) Approve material capital projects, contracts or expenditures entered into by the Company above US$ 250,000.

Corporate Governance

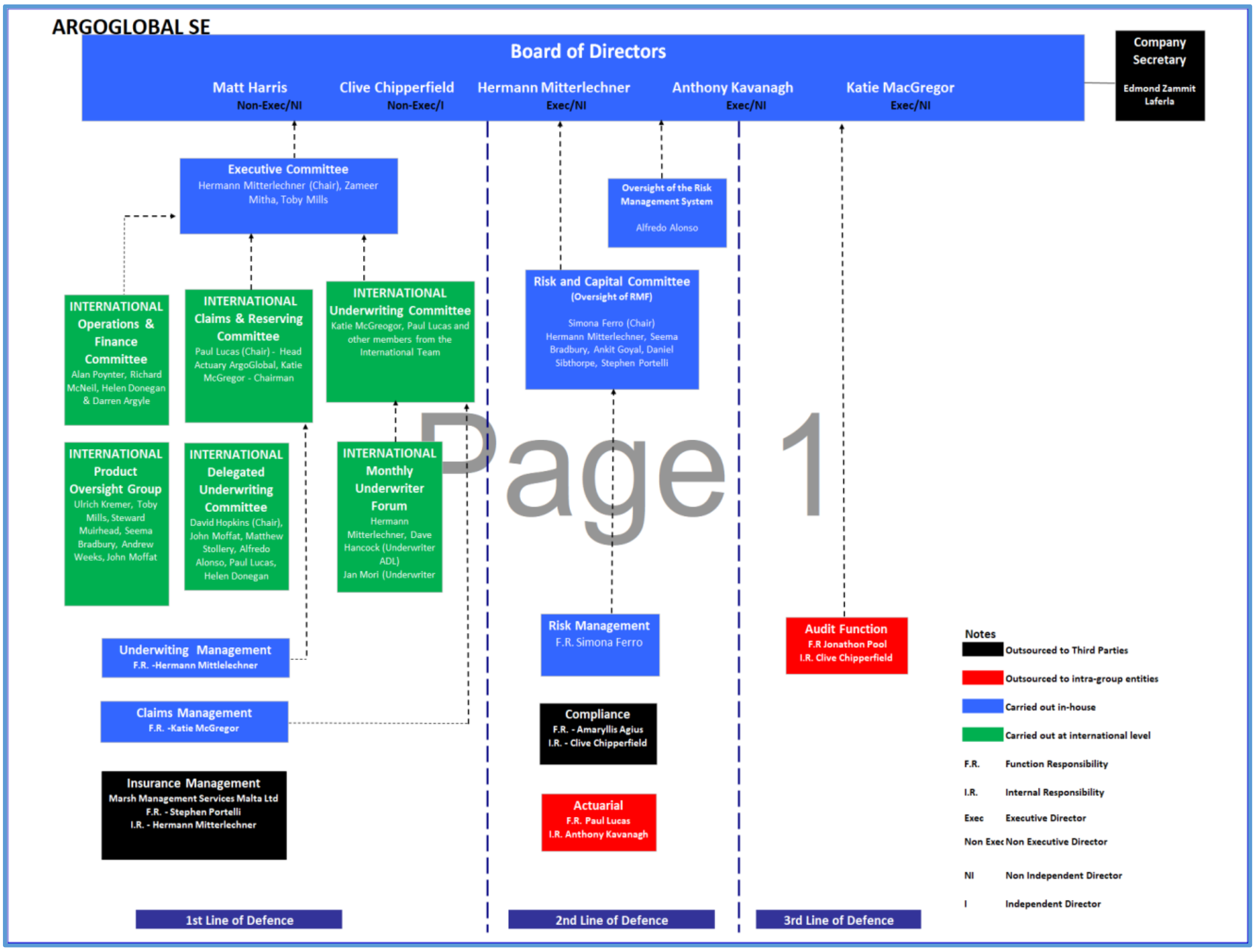
a) Operational and oversight responsibilities toward sound corporate governance throughout the organization;
b) Ensure the existence of processes to assess and document the fitness and propriety of board members, controllers, officers, and third-party service providers, including insurance managers, auditors, actuaries, and the principal representative;
c) Oversee key operational areas including underwriting and investments and key functions including risk management, corporate governance, audit, and compliance;
d) Ensure the existence of processes to confirm that key staff members are adequately skilled, having the expertise in their relevant field and knowledge of policies and procedures to execute and discharge their duty;
e) Broad business and operational strategies, and significant policies and procedures including those surrounding oversight;
f) Review and approval of significant policies and procedures promoting effective corporate governance across the organization, including those for risk management and internal controls, internal and external audit, compliance, and actuarial functions;
g) Ensure the existence of clear documentation and regular review of processes regarding the roles and responsibilities of the board, the chief and senior executives, and key staff delegated corporate governance responsibilities;
h) Ensure the existence of independent functions, such as risk management, internal audit, actuarial, and compliance to assist in oversight responsibilities and communication regarding such matters to the board and / or relevant committees;
i) Ensure the existence of processes regarding the engagement and dismissal of the services of the chief and senior executives and third-party service providers assisting with oversight responsibilities, including policies and procedures to manage and mitigate conflicts of interest and undue influence;
j) Ensure the existence of processes to confirm that the board has appropriate access to accurate, relevant, and timely information, including relevant information available to stakeholders participating in the corporate governance process;
k) Ensure the existence of management of the market conduct of the Company, including confirming that policies on independence, conflicts of interest and disclosures to external stakeholders are documented and reviewed;
l) Ensure the existence of internal policies and procedures to address potential issues arising from the business conduct and unethical or fraudulent actions by board members, chief and senior executives, and staff;
m) Ensure reviews regarding compliance with all relevant laws, regulations, codes of conduct, industry standards, and guidance notes;
n) Ensure the existence of appropriate information systems to support the organisation's

business platform, including producing reliable information to the relevant business functions;

o) Ensure the existence of maintenance of sufficient records as required by laws and regulations;
p) Ensure the existence of contingency plans, including those surrounding natural disasters and information recovery, to ensure the continual operation of the insurer; and
q) Ensure the existence of proper safeguard of sensitive information, including employee and policyholder information.

Organisational structure – ArgoGlobal SE

The diagram below shows the governance structure of AGSE at the end of the reporting period.



1. Committees

Underwriting Committee

The purpose of the Committee is to assist the Board with a forum in which to develop, and subsequently monitor adherence to, the underwriting strategy, business plans, protocols, authorities and controls in relation to the Company's underwriting activity and in ensuring that appropriate reinsurance protection is purchased in accordance with the risk appetite agreed by the Board and Argo Group. The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Claims & Reserving Committee

The purpose of the Committee is to provide the Company's management with a forum in which appropriate reserves for each year of account are set. It is also a key forum for the reporting of new significant claims and the development of existing claims.

To identify and review a range of material risks allocated to the Committee which are faced by Company and to ensure those risks are appropriately identified, monitored and controlled. The risks relevant to this Committee include, those relating to claims and reserving issues faced by the Company as well as other risks which may be allocated to the Committee from time to time. The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Risk & Compliance Committee

The Risk and Compliance Committee is authorised by the Board of Directors to oversee the Company's Risk Management and Compliance arrangements ensuring that risk appetite is appropriate and adhered to and that any compliance issues and key risks are identified and managed. The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Investment Committee

The Investment Committee is to assist the Board with a forum for the management of the financial assets of the company including recommending to the Board the appointment / dismissal of investment managers, recommending changes to investment guidelines and to review and propose changes to investment benchmarks. The Committee shall met at least four times a year at appropriate times and otherwise as required.

The aim of such committees is to provide the necessary information and updates to the Board so as to ensure that the correct decisions are taken as well as to be well positioned to allow the company to grow, in particular by writing additional lines of business in the forthcoming year.

2. Functions

Underwriting and Claims Function
All underwriting decisions for existing policy cover and classes of business are undertaken in Malta by the Company.

Investment Management
The Company has appointed Conning Asset Managers as the Investment Managers with the aim being to handle the day-to-day management of the investments owned by the Company. The appointed investment managers are to abide by the Investment Guidelines of the Company and reports at each Investment Committee Meeting.

Insurance Management
Marsh Management Services Malta Limited acts as the Insurance Managers of the Company. Their role is to provide advice and guidance and assist in running the Company on a day-to-day basis.

Risk Management Function
The Company's risk management function is to identify and evaluating the major risks facing the Company and to facilitate the implementation of the risk management system. Ms Simona Ferro undertakes this role with the approval of the Board, who have considered the skills required, are satisfied that Ms Ferro has the requisite skills to undertake this role.

The roles and responsibilities of the risk management function are set out in the risk management policy and the risk management framework.

Actuarial Function
The Company's actuarial function is to identify and evaluate suitable reserving and prices for the Company and to facilitate the implementation of the actuarial system. Mr. Paul Lucas undertakes this role and the Board considered the skills required and is satisfied that Mr. Lucas has the requisite skills to undertake this role. Mr. Anthony Kavanagh, who sits on the Board of Directors, assumes an oversight role for the actuarial function.

Compliance Function
The Compliance Function is outsourced to Dr Amaryllis Agius, an employee of Marsh Management Services Malta Limited. During 2020, some compliance services were being provided by Marsh Insurance Services (for example fit and proper requirements) whilst some other compliance services were provided by Argo International (for example data protection and centralized compliance e-training). Regular meetings were held with Marsh Insurance Management Services Malta Limited and Argo International. The Compliance Function reports to the Board through the Risk and Compliance Committee. Directors and employees are required to escalate any compliance issues.

Internal Audit Function
The Internal Audit department assists the ArgoGlobal SE Board of Directors and management in the effective discharge of their governance responsibilities. The Internal Audit department is responsible for auditing the ArgoGlobal SE's financial, operational and internal control activities and for providing the Board and management with reports on the results of the audits. The audits primarily focus on assessing whether processes and controls are adequate to provide reasonable assurance that resources are safeguarded against waste, loss and misuse; operations are efficient and effective; specific management objectives are achieved; financial and performance reports are reliable, and there is compliance with applicable laws and regulations.

4. Organisational Changes during 2020

During the course of 2020, two members of the Board of AGSE resigned resulting in changes to the membership of Board sub-committees as per the organisation structure provided further up. AGSE performs a Board effectiveness review early Q1 2021 to determine if the overall system of governance remains appropriate.

B.2 "Fit and Proper" Requirements

This Company has a Fit and Proper Policy that clearly sets out the requirements necessary to provide consistent and continuous application of the Fit and Proper requirements across the Company with applicable laws and regulations and administrative provisions (e.g. frameworks, policies and standards).

The Compliance Officer is responsible for overseeing the fit and proper requirement for the Company and has a direct communication channel to the Board of Directors.

The purpose of the Fit and Proper policy is to:

a) Provide guidance on checking procedures to ensure that all prospective directors, officers and third party service providers (and those employees during their employment) are honest, act with integrity, have the right skills and competence for the role.
b) Provide guidelines to ensure that all Approved Persons, all key function holders and persons who effectively run the Company's business, including within the Senior Managers Regime, meet the fitness and propriety requirements issued by the MFSA.
c) Provide guidelines on the notification requirements to the MFSA and when any changes occur to the identity of those who effectively run the Company's business.

When assessing the Fit requirement for the Board of Directors, the company should also ensure that collectively the board possesses the appropriate qualification, experience and knowledge in the following areas:

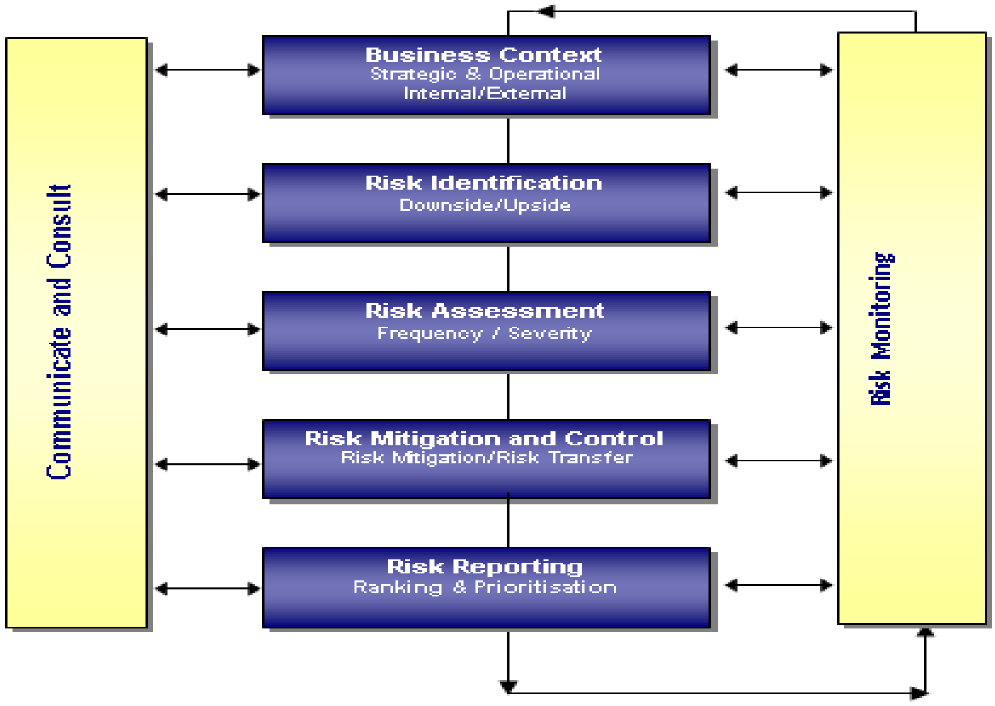
A. 'Insurance and Financial Markets knowledge' means an awareness and understanding of the wider business, economic and market environment in which the company operates and an awareness of the level of knowledge of and needs of policyholders.
B. 'Business strategy and business model knowledge' refers to a detailed understanding of the company's business strategy and model.
C. 'System of Governance knowledge' means the awareness and understanding of the risks the company is facing and the capability of managing them. Furthermore, it includes the ability to assess the effectiveness of the company's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.
D. 'Financial and actuarial analysis knowledge' means the ability to interpret Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information.
E. 'Regulatory framework and requirements knowledge' means awareness and understanding of the regulatory framework in which the company operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes to the regulatory framework without delay.

The Board of Directors are confident that all five criteria are met.

B.3 Risk Management System including the ORSA

The Risk Management Strategy is primarily intended to align with AGSE's risk profile with its strategic plans and to identify and address risks that may prevent it from achieving its business objectives. It is also intended to be used as a tool to steer AGSE's risk taking capacity and determine where it should be allocated on an assessment of risk and reward. AGSE have a Risk Policy and an ORSA Policy and the risk system is also implemented using the standards set out in Argo's Enterprise Risk Management Framework.

These documents set out the processes and procedures for risk identification, measurement, monitoring, management and reporting. A risk register is maintained and this sets out the risks and associated risk mitigations. Each risk has a risk owner and risk manager and the responsibilities are clearly defined.



Identification

Risks have been identified and maintained on the AGSE risk register. Identification of new risks is the responsibility of the risk owners and the risk management function (as a second line of defence).

Measurement

Each risk on the risk register is assessed using deterministic assessments, and qualitative assessments (or a combination of these techniques). The standard formula is used to calculate the capital requirements of AGSE. The business also conducts stress and scenario assessments as part of the ORSA process.

Management

Identified risks are mitigated either through the use of tolerance / risk limits, controls and risk transfer techniques.

Monitoring

This is carried out by both Risk Owners and the Risk Management function. Monitoring is undertaken using indicators and other metrics of information which provide a view on exposure to risk. Risk tolerances and risk limits are also monitored and where these could / have been breached appropriate action is taken. The control environment is also monitored to detect situations where a weakness in systems and controls exposes AGSE to increased risk. A loss event and near miss reporting process is also in place to monitor control weaknesses.

Reporting

Risk reporting takes place principally through the Risk and Compliance Committee. This Committee meets at least four times a year and reports on risk and compliance matters to the AGSE Board.

Integration of risk into the organisational structure and decision making process of the undertaking

The risk function has risk owners and control owners identified on the risk register. A risk assessment takes place at least once a year. In addition, the risk function attends regular AGSE staff meetings to ensure holistic discussion across all functions and ensure that the risk is integrated into the decision making and strategy making process. AGSE has an Own Risk & Solvency Assessment (ORSA) Policy in place. The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks that AGSE faces or may face, and given the risk profile, the determination of its own funds (economic capital) necessary to ensure that overall solvency needs are met at all times.

The ORSA process in effect links with other processes that ultimately links business strategy with risk and capital requirements. These processes included:

- Business strategy and business planning
- Risk appetite
- Identification and assessment of risks that affect solvency
- Risk monitoring and capital setting
- Stress and scenario testing (on business plan, capital and business resilience)

AGSE's Risk & Compliance Committee is responsible for oversight of the ORSA process with the AGSE Board ultimately accountable for the ORSA process. An ORSA report is produced at least annually for the AGSE Board's review and approval. The ORSA process is a continuous process linking business strategy, risk assessment and monitoring and capital requirements. Changes in the business strategy during the year could lead to changes in the risk profile. If those changes were significant this would then lead to a review of capital requirements. New risks or changing exposure of existing risks could impact business strategy which would also lead to a review of capital requirements.

AGSE's capital requirements under Solvency II are determined using the standard formula. Generally smaller companies such as AGSE are not modelled well by the standard formula, however, we believe that it is acceptable for AGSE due to the following reasons:

- The calibration of the standard formula by EIOPA was conducted on standard industry data. The business that AGSE writes was included within the calibration and so the standard formula will be calibrated correctly for AGSE.
- The assumptions made in all the material areas of the standard formula are consistent with AGSE's business mix for finding a value at risk corresponding to a 99.5% confidence level over the one year horizon

B.4 Internal Controls System

The Company's policy is to ensure that an adequate and effective Internal Control System is in place. In applying this policy, the Company defines internal controls as a process, conducted by its Board, key functionaries and employees, designed to provide "reasonable assurance" that business objectives are achieved by:

- Securing proportionate compliance with applicable laws, regulations and control processes;
- Ensuring processes are efficient and effective;
- Ensuring that sufficient and reliable financial and non-financial information is available to effectively manage the business;
- Ensuring that all relevant information is efficiently and accurately reported to the Risk Management, Internal Audit, Compliance, and Actuarial Functions as necessary for the effective performance of their duties;
- Ensuring that adequate protocols and procedural guidelines for the undertaking's key business, IT, and financial policies and processes, including in respect of accounting and financial reporting and the related risk management and compliance measures are in place.

The Internal Controls System is designed and operated to assist the Board and Senior Management in the fulfilment of their respective responsibilities for oversight and management of the company. The Internal Controls System provides them with reasonable assurance from a control perspective that the business is being operated consistently with the (a) strategy and risk appetite set by the Board, (b) agreed business objectives, (c) agreed policies and processes, and (d) laws and regulations. This Procedural Guideline provides an overview of the key components of the internal control system which, taken together, explain how the business is run. The key components are:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

The Company uses the Three Lines of Defence Model in controlling its activities.

Information and Communication

Information systems play a key role in internal controls system as they produce reports, including operational, financial and compliance-related information that make it possible to run and control the business.

Effective communication aims to ensure information flows down, across and is escalated within the business. Effective communication includes external parties, such as customers, suppliers, regulators and shareholders.

Monitoring and Oversight

The internal controls system is monitored to assess the quality of performance over time. This is achieved through ongoing monitoring activities or separate evaluations. Internal control deficiencies detected through these monitoring activities are escalated and corrective actions are taken to ensure continuous improvement.

The governance committees, when and as established by the Board, with their individual focus on specific risk types oversees all the relevant risk activities of the respective business function and are responsible for escalating significant issues to the Board as deemed necessary and appropriate.

B.5 Compliance Function

The Compliance function is established as an independent second line control function.

The Company has adopted a Compliance Policy which sets outs the objectives of the Compliance Function. A Compliance Plan is presented at the first board meeting of each financial year and is approved by the Board. The Compliance function monitors the progress made towards executing the Compliance Plan and reports to the Risk and Compliance Committee and to the board at each meeting as a minimum.

In performing its activities, the Compliance Function makes sure that Internal controls at the Insurance Manager level are adhered to and carries out Compliance Monitoring activities to make sure that the Company remains compliant with the Insurance Laws and Regulations at all times. The compliance function liaises with the wider Argo Group compliance function in order to align compliance activities in coordination with group requirements through regular meetings as and when required.

Directors, key functions holders and employees are required to escalate any compliance issues to the Compliance Function as and when these arise.

The Compliance Function is outsourced to Dr Amaryllis Agius, an employee of Marsh Management Services Malta Limited. During 2020, some compliance services were being provided by Marsh Insurance Services (for example fit and proper requirements) whilst some other compliance services were provided by Argo International (for example data protection and centralized compliance e-training). Regular meetings were held with Marsh Insurance Management Services Malta Limited and Argo International. The Compliance Function reports to the Board through the Risk and Compliance Committee. Directors and employees are required to escalate any compliance issues.

B.6 Internal Audit Function

The objective of the Internal Audit department is to assist the AGSE Board of Directors and management in the effective discharge of their governance responsibilities. The Internal Audit department is responsible for auditing the AGSE's financial, operational and internal control activities and for providing the Board and management with reports on the results of the audits. The audits primarily focus on assessing whether processes and controls are adequate to provide reasonable assurance that resources are safeguarded against waste, loss and misuse; operations are efficient and effective; specific management objectives are achieved; financial and performance reports are reliable, and there is compliance with applicable laws and regulations. Audit resources are devoted to addressing areas perceived with the highest risk and areas that cover the core business activities. Prior to each audit assignment, a full planning document with specific audit scope is developed, approved and issued based on the risks and controls detailed in the risk universe and risk registers.

For each audit assignment, a report is produced which is designed to add value and improve operations. The results of the audits are communicated to AGSE management and to the Board.

The internal audit function will remain free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop detailed steps necessary to implement procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit function.

B.7 Actuarial Function

The application of sound actuarial techniques to the risks assumed by the Company on a consistent basis enables the Company to:

a) Understand, monitor, report and manage its insurance underwriting risk profile;
b) Evaluate its capital needs and capital deployment strategies; and
c) Meet its obligations to shareholders, policyholders and regulators.

The company has established and maintains an effective actuarial function appropriate to the nature, scale, complexity, and profile of risks to which the Company is exposed. The Company ensures that the appointed actuary meets the required criteria on fitness and propriety related to the performance of the actuarial function. The Company's Actuarial Function shall be objective and free from the influence of other parties. The Actuarial Function will establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its policyholder obligations, potential insurance and reinsurance exposures, and capital requirements consistent with applicable laws and recognized industry standards.

B.8 Remuneration

Argo Group has in place global compensation programmes to attract, retain and motivate talent. These programmes are applicable across Argo Group and all subsidiaries. The existing Remuneration Policy for Argo Managing Agency is therefore applied to AGSE on that basis. It is Argo's policy to have in place appropriate and transparent remuneration arrangements to attract, retain and motivate suitably qualified staff, to ensure that remuneration arrangements align with Argo's objectives and the interests of its shareholders but do not promote excessive risk taking.

In applying this policy, Argo will

- Review salaries on an annual basis with reference to market benchmarking data.
- Provide a market competitive, but not excessive, benefits package.

- Provide performance related variable pay, or bonus, to ensure that individual performance is aligned with the Company's strategic objectives, its stated Risk Appetite and the interests of its shareholders.
- Ensure remuneration arrangements support a system of effective risk management.

Variable remuneration includes the Argo Group Profit Sharing (PS) Plan and the Long Term Incentive (LTI) Plan. Total remuneration reflects a higher weighting towards variable pay for senior executives and underwriting employees. For the PS (short term incentive) plan eligible employees have a target equal to a percentage of their base salary. In any given year, the actual PS pay-out will be determined based upon a combination of Business Unit (legal entity or underwriting division) results and Argo Group (parent company) results and that amount may be modified by the assessment of individual performance. Deferrals apply to underwriting PS payments over 3 years (60% in the first year and 20% in each of the subsequent years) with the objective of retaining those who drive business production. Payment for employees in functional roles (e.g. HR, Finance etc) is modified on the basis of Argo Group's performance and then may be further modified based on individual performance. The LTI plan for which senior executives are eligible with a target equal to a percentage of their base salary with the objective of driving long term performance and retaining critical employees. Eligible employees are awarded 100% of their LTI target in February of Year 1. Performance against LTI performance trigger goals (goals identified as being more long term in nature) is reviewed at the end of year 1 and the award is then modified in line with that assessment. The modified award vests in 4 tranches with the first tranche of 25% vesting each year until the award is fully vested. Employees who leave the Company before the award is fully vested forfeit any outstanding vesting.

B.9 Outsourcing

Under the Malta and EU Insurance Rules and Guidelines, if an undertaking outsources functions either externally to third parties or internally to other affiliated entities, the undertaking is expected to have oversight and clear accountability for all outsourced functions as if these functions were performed internally and subject to the insurer's standards for corporate governance and internal controls. The insurer is also expected to ensure that the service agreement includes terms of compliance with jurisdictional laws and regulations, cooperation with Regulator and timely access to data and records.

In applying this Policy, the Company will:

- when relying on a third party or other affiliated entities for the performance of operational functions which are critical for the performance of regulated activities, listed activities or ancillary services on a continuous and satisfactory basis, maintain oversight and accountability for these functions as if they were performed internally and subject to the Company's own standards for corporate governance and internal controls;
- ensure that written outsourcing service agreements include terms of compliance with jurisdictional laws and regulations, cooperation with the Regulator and other relevant competent authorities, and timely access to data and records;
- notify, the Regulator of outsourcing agreements on important/key or critical activity and submit the respective agreement to the authority for approval prior to signing;
- maintain a written outsourcing agreement in the form of a service level agreement in instances where the appointed service provider is a legal entity of Argo Group.

For the purposes of this Policy an arrangement is likely to be deemed critical or important to the conduct of the business if a defect or failure in its performance would:

- materially and adversely impact the quality of the system of governance;
- unduly increase operational risk or significantly reduce control assurance (e.g. if the service is a key mitigating control);
- impair the ability to comply with any relevant legal or regulatory requirements or the ability of regulators to monitor the Group;
- undermine the soundness or continuity of Key functions, services and activities that are core to the business and delivery of services to policy holders/customers.

This Policy does not apply in respect of individuals or firms retained under consulting, professional advisory services or temporary/agency support staff arrangements, where the individuals concerned are directly supervised by Board Member or other manager employed by the Group.

List of current material outsourcing arrangements and the jurisdictions they operate in:

DESCRIPTION OF FUNCTIONS / ACTIVITIES	JURISDICTION
Insurance Management	Malta
Compliance Function	Malta

C. RISK PROFILE

The Board of Directors reviews the Company's risk profile on an ongoing basis. This allows the Board of Directors to see the spread of risks so as to ensure that it achieves its business objectives. The view of material risks in the ORSA is a combination of the top risks from the Risk Register and the SCR risk ranking (based on the capital requirements).

From the risk register other key risks considered during the year include Brexit, delegated authority management processes and control processes around the growth strategy.

C.1 Underwriting Risk

Insurance/underwriting Risks are defined as the risk of loss, or adverse change in the value of insurance liabilities, due to inadequate pricing and / or reserving practices. These risks may be caused by the fluctuations in timing, frequency and severity of insured events and claims settlements in comparison to the expectations at the time of underwriting.

From the SCR calculation this is a material driver of risk. As business grows this risk category will also grow driven through greater premium and catastrophe risk. Reserve risk is not a material driver of risk at this stage but may become more material in future years.

There are underwriting guidelines in place for lines of business and each underwriter has an authority letter including a referral process. The underwriting committee of AGSE oversees the implementation of the underwriting guidelines and business developments.

Reserve risk is mainly managed through the quarterly reserve risk process overseen by the Claims and Reserving Committee and through actuarial input and review.

C.2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

a) Currency risk;
b) Interest rate risk; and
c) Equity price risk.

The key mitigation strategy is the investment guidelines which are principally to invest in government and corporate bonds. Although corporate bonds in principal can derive a greater return a key driver is to ensure that the preservation of capital. The investment portfolio is reviewed and monitored by the Investment Committee quarterly including compliance with the investment guidelines. Therefore operational controls are key to ensuring that the investment portfolio stays within guidelines. For currency risk a hedging mechanism has been put in place.

Capital is another key method of managing market risk should losses arise from a significant economic shock.

C.3 Credit and Liquidity Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The principle sub-categories of risk in respect of credit risks are:

Premium credit risk – failure of the insured / intermediary to pay premium within terms of trade (or not at all)
Reinsurance credit risk – failure of the reinsurer to pay reinsurance recoveries on a timely basis (or not all)

The main mechanism for managing credit risk are operational controls. Premium credit is principally managed by issuance of terms of trade and monitoring the aged debt performance by intermediary and underwriter. This allows targeting against individual brokers if debt ages to an unacceptable level. AGSE has a good spread of intermediaries however like many insurers there is a concentration risk with the 'big' three brokers.

Reinsurance credit risk is managed by a Group Reinsurer Security List. Credit ratings are assessed regularly and limits are put around the total exposure to a) anyone reinsurer b) credit rating bands. The principal concentration risk for AGSE is the intra-group quota share arrangement with Argo Re.

Capital is another method of managing credit risk especially to mitigate the shock of a major reinsurance failure.

- Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

- The main method of managing risk are operational controls. Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets in order to ensure that sufficient funding is available to meet insurance and investment contract obligations. These are monitored on a regular basis.

- In a stress scenario the main contingency is access to Argo Group's revolving credit facility with external banks which would provide access to liquid assets if a there was a shortfall.

C.4 Operational Risk

These risks are defined as the risk of loss arising from inadequate or failed internal processes, people, systems, or from external events. This risk encompasses all exposure faced by functions and services rendered in the course of conducting business including, and not limited to, accounting and financial reporting, business continuity, claims management, information technology and data processing.

The AGSE risk register takes a top down approach to capture the operational risks faced by the entity (in fact, all key categories are captured on the risk reinter), and these are assessed on at least an annual basis with the risk manager and owners. All risks on the register are assessed on impact and likelihood.

The main method of managing these risks are operational controls. This is a mixture of preventative, directive and detective controls. These key controls are captured on AGSE's risk register (as are the other controls pertaining to the other classes of risk). For certain risks – risk transfer mechanisms are in place (i.e. insurance).

C.5 Other Material Risks

In addition to the above mentioned risk categories, AGSE can be exposed to possible concentration risk. This is the risk of exposure to losses associated with inadequate diversification of portfolios of assets or obligations. Concentration risk refers to all risk exposures with a loss potential which is large enough to threaten the solvency position of the Company. Concentration risk can arise in both the assets and liabilities sides of the balance sheet as well as in off-balance sheet items and can originate from a series of sources such as natural or man-made catastrophes or unprecedented economic events, or from an individual risk exposure, or from a combination of risk exposures such as credit, investment, underwriting and liquidity.

The material concentration risk AGSE is exposed to is reinsurance concentration risk. There are specific reinsurances in place covering liability, property and surety risk. This is placed with highly rated company market reinsurers and Lloyd's market. There is also a 90% whole account quota share with Argo Re which is the main which is the main concentration exposure.

Additionally AGSE is exposed to the following risks:

Strategic risk – this is the risk arising from changes in the external environment. A robust strategic risk management framework is in place to anticipate and mitigate the strategic risks This is based on an ongoing monitoring of the financial results and update of the relevant forecasts, whilst accounting for current and potential evolution of the economic and the competitive environment Additionally periodic reviews are performed to assess the consistency and relevance of the strategy,

Reputational risk – this is consequence of risks in the other risk categories crystallizing. Reputational risk could result in significant changes in the perception of AGSE from key stakeholders.

Emerging risks - AGSE participates in the Group ERM Steering Committees where Emerging Risks are analysed and discussed across all entities.

Regulatory Risk - AGSE regularly monitors the exposure and a particular focus is dedicated to underwriting and product management Compliance and Legal functions ensure an adequate monitoring of legal and regulatory developments relevant to AGSE also with the support of external law firms when needed.

Like other companies AGSE operates in a changing environment. Economic, political, social, legal and technological changes can impact AGSE's strategy. The main way this is monitored is through the Top Risks heat-map. The main way to manage this risk to adjust operations / strategy to either mitigate the threat or take advantage of the opportunities arising.

C.6 Stress and Sensitivity Testing

A number of stress tests were carried out during the course of the year. The stress tests are summarised below:

- 30% loss ratio deterioration. In this scenario the Solvency Ratio would remain above the target risk appetite of 125% each year starting from 2020 onwards.
- Weakening of euro against sterling by 25% without management action would result in the Solvency Ratio falling below 125% within one year.
- Strengthening of the euro against sterling by 25% : the Solvency Ratio remains constantly above the tolerance level.
- 4-notch Argo Re downgrade would not breach the risk appetite should this scenario occur. This risk has always been carefully monitored and will continue to be monitored to detect any potential threats occurring
- Failure to sweep bank accounts, bank balance increases by 10 million: the Solvency Ratio remains constantly above the tolerance level.
- Non acquisition costs increase by 30%: the Solvency Ratio remains constantly above the tolerance level.
- Combined scenarios: loss ratio deterioration of 30% and Euro weakening by 25% against GBP happen simultaneously: without management actions the Solvency Ratio initially falls below the tolerance level to 108% in 2020 but would then recover to 180% by 2023
- 50% write-off of insurance receivables in 2020 would not result in a breach of risk appetite with the cover of SCR % ranging from 131% in 2020 to 174% in 2023
- Payment patterns being delayed by 1 Year would not result in a breach of risk appetite and thus no specific actions would be required
- The doubling of the net loss ratio would not have a significant impact and as the risk appetite % is not breached in the projected years, no specific action would be required.

D. VALUATION FOR SOLVENCY PURPOSES

AGSE presents below the information regarding the valuation of assets for Solvency II purposes including (for each material class of assets):

- A quantitative explanation of any material differences between the asset values for Solvency II purposes and those used for financial reporting bases.
- A description of the assets valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

D.1 Assets

The value of each of material class of asset as well as the basis used and main assumptions for valuation as described below

Argo Group Assets (EUR)	Ref	IFRS (EUR €000)	SII Valuation Principles (EUR €000)
Deferred Acquisition Costs	a	5,184	
Deferred Tax Asset	b		
Investments	c	29,278	29,278
Reinsurance share of TP - non-life excluding health	d	181,573	180,254
Insurance & Intermediaries Receivables	e	17,254	17,254
Reinsurance Receivables	f	66,104	66,104
Cash & Cash Equivalents	g	7,473	7,473
Any Other Assets, Not Elsewhere Shown	h	36,572	36,572
Total assets		**343,438**	**336,935**

i. Valuation bases, methods and main assumptions

There are no material differences between the IFRS/Solvency II valuation methods for the classes of assets highlighted above.

a) Deferred Acquisition Costs (DAC) are not allowed in the Solvency II Balance Sheet as the company does not expect future benefits/cash flow from this asset.

b) Deferred Tax Assets in the Solvency II Balance sheet arises from difference between the IFRS Balance sheet and the Solvency II Balance sheet. It has been decided not to recognise the deferred tax asset as at 31 Dec-20 as the Company is going into run-off and future taxable profits are deemed not to be sufficient to enable recognition of this asset.

c) Investments are measured at fair value with unrealized gains or losses recognised in other comprehensive income (OCI) and credited in the AFS reserve until the investment is divested, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate (EIR) method.

d) Reinsurance Recoverables are valued at the Best Estimate under Solvency II in proportion to the Quota share reinsurance in place. This is mainly driven by the Premium provision whereby the Solvency II best estimate is less than the unearned premium provision in IFRS Balance Sheet.

e) Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

f) Reinsurance receivables represent losses recoverable from reinsurers and are subjected to counterparty default risk.

g) Cash and cash equivalents comprise cash at bank and are recorded at face value.

h) Any other assets not elsewhere shown balance is mainly composed of outstanding cash advances, intercompany receivables, and funds held by reinsurer.

D.2 Technical Provisions

The company presents below the information regarding the valuation of technical provisions by each material line of business for Solvency II purposes including:

- A quantitative explanation of any material differences between the technical provisions values for Solvency II purposes and those used for financial reporting bases.
- A description of the technical provisions valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

I. Quantitative information

Argo Group Technical Provisions (EUR)	IFRS (EUR €000)	SII Valuation Principles (EUR €000)
Gross Technical Provisions – Non-Life (Excluding Health)	196,113	196,787
TP calculated as a whole	196,113	
Best Estimate		194,707
Risk Margin		2,080
Gross Technical Provisions - Health (Similar to Non-Life)	1,917	1,982
TP calculated as a whole (Best estimate + Risk margin)	1,917	
Best Estimate		1,953
Risk margin		29
Total Technical Provisions	**198,030**	**198,769**

II. Solvency II Valuation bases, methods and main assumptions

Process to Calculate the Technical Provisions

The Technical Provisions (TPs) are carried out in two stages, the first part is the calculation of the IFRS TPs (i.e. IFRS Reserves) used in the Audited Accounts and the second stage is the calculation of the specific Solvency II (SII) adjustments required for the SII TPs. The IFRS TPs are a significant element of the SII TPs.

The process to complete the quarterly IFRS TPs is that Claims and Premium are extracted from the Inspire System. Information is extracted from around the business (including input from underwriters and claim handlers) to feed into the reserving process. The results are reviewed at the Argo Internal Specialty quarterly reserving meetings and then the result are presented to the ArgoGlobal SE Board. This process allows challenge of the assumptions, methodology and results.

Appropriateness of the Data, Methodology and Assumptions

Data

There have been no material issues in gaining the premium and claims data so far. There is, however, limited data and because many actuarial methods rely on having sufficient data this limits the available techniques. Benchmark data has been used for the payment patterns, used in the SII TP calculations.

Methodology

The key methodology used to generate the IFRS reserves is to set the Earned Loss Ratio equal to the Initial Expected Loss Ratio (IELR) and this is then reviewed with judgement to assess if additional IBNR is required. As yet no Loss Ratios have been decreased to release reserves. The analysis is carried out for each Accident Year with no additional segmentation (i.e. Class of Business splits). The methodology used to adjust the IFRS TPs to be SII TPs is to include the:

- Expected profit arising from the UPR
- Include an element for binary events (events not in the data) and claims handling expenses
- Discount benefit
- Risk margin

These adjustments are made at the total level, i.e. not by accident year. The approach is simplistic, especially the treatment of the UPR rather than explicitly considering the cash flows, but it is not expected that a more granular approach would yield materially different results.

Assumptions

A key assumption, given the method used, is the selected Initial Expected Loss Ratio (IELR) for the various lines of business.

The addition of the Risk Margin is the most substantial SII adjustment and the approach assumes the future SCR can be approximated using the expected run-off of the reserves. The Actuary views this assumption as reasonable.

Other assumptions used are in the expected profitability within the UPR and the payment pattern for discounting of the SII TPs; neither have a material impact on the SII TP results.

General Limitations

The following are general limitations applicable to actuarial analysis:

- A reliance that past history is a reasonable guide to the future;
- Ultimate cost of claims can be affected by many factors which may not yet be prevalent in the loss data, for example inflation, latent claims, new sources of claims, economic/legal/social trends etc;
- For the SII TPs there is additional uncertainty compared to IFRS reserves as there is more Large Loss exposure in the SII TPs as it also includes unearned exposure;
- Liability classes generally contain uncertainty due to their relatively long development.

As outlined from the extract of Actuarial Function Report, the technical provisions are reviewed on a regular basis by the Group actuary. In addition, 90 per cent of gross reserves are reinsured. As a result the risk of uncertainty on calculating technical provisions is significantly minimised. The Actuary is also involved in assessing the valuation of technical provisions under Solvency II. The timing of claims payments together with target loss ratio are key to the valuation of Technical provisions on Solvency II Valuation principles.

The 2019 AGSE Actuarial Function report confirms that the process to calculate the Technical Provisions is reliable and adequate given the limited complexity of the business. The data and IT systems are suitable and no issues were observed with the data provided. The Actuary views methodologies and procedures used to be consistent with the Solvency II requirements. In his opinion the Technical Provisions are reasonable, but the uncertainty arising from the potential of a single large loss and the choice of IELR should be borne in mind.

D.3 Other Liabilities

Argo Group Other Liabilities (EUR)	Ref	IFRS (EUR €000)	SII Valuation Principles (EUR €000)
Provisions Other Than Technical Provisions	a	4,917	-
Reinsurance payables	b	108,842	108,842
Payables (trade, not insurance)	c	4,758	4,758
Any other liabilities, not elsehwhere shown	d	5,959	5,959
Total Other Liabilities		**124,476**	**119,559**

i. Solvency II Valuation bases, methods and main assumptions

a) Deferred Commission Income, which follows the same principle as the Deferred Acquisition Costs, where the deferred income is not considered as an admissible liability under Solvency II valuation base as it would have already been received by the reinsurers or accounted for separately.
b) The Reinsurance payables relate to reinsurance payable within 3 months and is not discounted.
c) Payables relate mainly to Insurance Premium Tax (IPT) liabilities.
d) The remaining liabilities relate to trade accruals and intercompany loan.

D.4 Alternative Methods for Valuation

No other material information regarding the valuation of assets and liabilities.

E. CAPITAL MANAGEMENT

The objectives of the Capital Management policy of the company is to:

a) Maintain a sufficient capital base which:
   - Meets the business strategy and risk appetite for capital, as set out in ArgoGlobal SE's 'Risk Appetite Standard'; and
   - Complies with Solvency II regulatory requirements.

b) Efficient Capital: ArgoGlobal SE must implement efficient use of capital as suited to company, consistent with the risk appetite as set out in ArgoGlobal SE's 'Risk Appetite Standard'

c) Reinsurance Strategy: ArgoGlobal SE must implement the most efficient reinsurance strategy suited to purpose and incorporate Solvency Fabric modelling when setting its reinsurance strategy

d) Consistency with System of Governance: ArgoGlobal SE must manage its capital consistent with the System of Governance, specifically Risk Management Framework.

e) Tier Capital and Own Funds: ArgoGlobal SE must make sure that they continuously hold sufficient eligible own funds to cover capital requirement.

f) Monitoring of Capital Positions: The CEO must make sure that there is regular, timely and effective monitoring of capital positions. So that capital efficiency and a sufficient capital base are maintained, ArgoGlobal SE and its subsidiaries must complete the following:
   - Actual Capital Base, International Financial Reporting Standards (IFRS) Equity, Solvency II Equity, SCR coverage ratio and return on key asset classes must be calculated and reviewed at least annually in line with ORSA Policy;
   - Ad hoc basis when there is a significant event that affect the company's business strategy;

g) Internal Reporting of Capital Positions: The CEO must make sure that there is regular and effective internal reporting of the capital positions to the Board and senior management;

h) External Reporting of Capital Positions: ArgoGlobal SE must produce the following in accordance with Solvency II requirements:
   i.) Quantitative Reporting Template (QRT);
   ii.) Solvency and Financial Condition Report (SFCR); and
   iii.) Regular Supervisory Report (RSR).

E.1 Own Funds

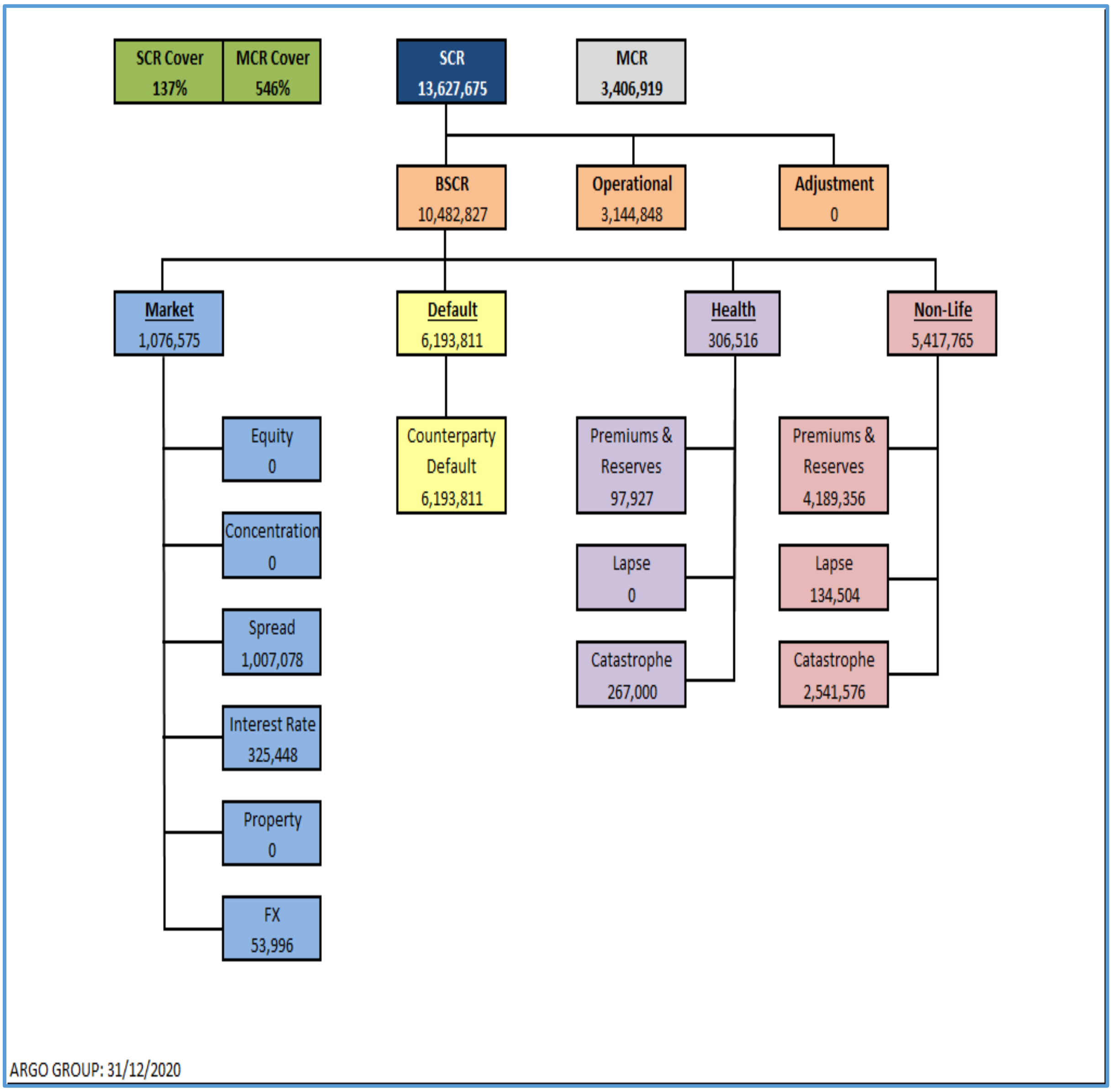
Please refer to the table below which illustrates the breakdown by tier of the structure, amount and quality of own funds at the end of the reporting periods being 31 Dec 2020 and 31 Dec 2019. The 3 Tiers are defined as follows:

- Tier 1 own funds is capital that has no features causing or accelerating insolvency e.g. ordinary share capital
- Tier 2 ancillary own funds are items of capital other than basic own funds which can be called up to absorb losses e.g. unpaid share capital, letters of credit or guarantees.
- Tier 3 ancillary own funds are items of capital which when called up would not qualify as Tier 1.

Basic Own Funds	December 2019		December 2020	
	Tier 1 – Unrestricted (EUR €000)	Tier 3 (EUR €000)	Tier 1 – Unrestricted (EUR €000)	Tier 3 (EUR €000)
Ordinary Share Capital	7,760	-	7,760	-
Reconciliation Reserve	-11,293	-	-15,652	-
Deferred Tax Asset	-	666	-	-
Capital Contribution	26,500	-	26,500	-
TOTAL BASIC OWN FUNDS	22,967	666	18,608	-

By referring to the above table for both the end of the current and previous periods you will note a deterioration in the SII Basic Own Funds from the end of the prior reporting period to the end of the current reporting (year ending 31 December 2020 €18,608k; year ending 31 December 2019 €23,633k) mainly as a result of losses accounted for during 2020.

E.2 Solvency Capital Requirement and Minimum Capital Requirement



The main drivers of the Solvency Capital Requirement are the following:

- The Non-Life Underwriting Risk. As the business grows this risk category will also grow driven through greater premium and catastrophe risk.
- Counterparty default risk has a significant impact on the Solvency Capital Requirement and this is mainly due to the exposure to Argo Re and on significant balances held in banks. Exposure to Argo Re is being diluted through the introduction of various external reinsurers.

Argo Group Minimum Capital Requirement (MCR) EUR'000

MCR	3,407

Total MCR NL	2,316
Cap	6,132
Floor	3,407

Parameters	
Cap	45%
Floor	25%
AMCR	2,500

Line of Business	Net Technical Provisions	Net Premium Written	Parameters		MCR NL
			A	B	
Medical Expense	195	583	5%	5%	37
Marine Aviation & Transport	113	79	10%	14%	23
Fire & Other Damage to Property	5,117	1,949	9%	8%	627
General liability insurance	11,410	3,208	10%	13%	1,596
Credit & Suretyship	-	303	18%	11%	34

Through the use of the Standard Formula, the maximum and minimum Capital Requirement has been determined as follows:

- The MCR is capped at 45% of the Solvency Capital Requirement (SCR) being €6.132m, whilst
- The lowest allowed Capital Requirement, i.e. the floor, is set at 25% of the SCR being €3.407m

The company is meeting the minimum capital requirements of €3.407m. There was no instances of non-compliance with the minimum capital requirement during the reporting period.

E.3 Anticipated Solvency Capital

	31st December 2019	31st December 2020	Movement
Cover	**150%**	**137%**	**(13%)**
MCR	**3,940**	**3,407**	**533**
SCR	**15,760**	**13,628**	**2,132**
Operational	**3,637**	**3,145**	**492**
BSCR	**12,123**	**10,483**	**1,640**
Market	**1,178**	**1,077**	**101**
Default	**7,490**	**6,194**	**1,296**
Health	**297**	**307**	**(10)**
Non-Life	**5,961**	**5,418**	**543**
Available Capital	**23,633**	**18,608**	**5,025**

The overall solvency capital requirement decreased slightly from EUR15.8 million to EUR13.6 million. The main drivers for the decrease were as follows:

a) Counterparty default risk – decreased due to the decrease in Type 2 insurance receivables and reinsurance recoverable exposures when compared with prior year.
b) Premium, reserve and catastrophe risk decreased in line with the decrease in the growth of premium income.

E.4 Deferred Taxes and adjustments for the loss-absorbing capacity of deferred taxes (LACDT)

The adjustment for the loss-absorbing capacity of deferred taxes referred in this paragraph shall be equal to the change in the value of deferred taxes of insurance and reinsurance underrating that would result from an instantaneous loss.

It has been decided, however, that due to the overall economic climate arising from the ongoing Covid-19 pandemic, that the LACDT should not be recognized this year. The recognition or otherwise of the LACDT shall be revisited in subsequent periods.

The Group, however, does recognize the deferred tax asset of EUR813k that arises on the difference in valuation principles between IFRS and Solvency II.

APPENDIX: LIST OF QUANTITATIVE REPORTING TEMPLATES (QRTs) FOR PUBLIC DISCLOSURE (Groups)

The following table lists down the QRTs that are required to be publicly disclosed as applicable to the Company:

TEMPLATE REFERENCE	TEMPLATE DESCRIPTION
S.02.01.02	Balance Sheet
S.05.01.02	Information on premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.23.01.22	Information on own funds
S.25.01.22	Information on the Solvency Capital Requirement calculated using the standard formula
S.32.01.22	Undertakings in the scope of the Group

S02.01.02.01 Balance Sheet

			Solvency II
			Solvency II value
			C0010
Assets	Goodwill	R0010	
	Deferred acquisition costs	R0020	
	Intangible assets	R0030	
	Deferred tax assets	R0040	
	Pension benefit surplus	R0050	
	Property, plant & equipment held for own use	R0060	
	Investments (other than assets held for index-linked and unit-linked contracts)	R0070	29,277,942
	Property (other than for own use)	R0080	
	Holdings in related undertakings, including participations	R0090	
	Equities	R0100	
	Equities - listed	R0110	
	Equities - unlisted	R0120	
	Bonds	R0130	24,233,023
	Government Bonds	R0140	3,622,003
	Corporate Bonds	R0150	20,292,202
	Structured notes	R0160	
	Collateralised securities	R0170	318,818
	Collective Investments Undertakings	R0180	5,044,919
	Derivatives	R0190	
	Deposits other than cash equivalents	R0200	
	Other investments	R0210	
	Assets held for index-linked and unit-linked contracts	R0220	
	Loans and mortgages	R0230	
	Loans on policies	R0240	
	Loans and mortgages to individuals	R0250	
	Other loans and mortgages	R0260	
	Reinsurance recoverables from:	R0270	180,253,887
	Non-life and health similar to non-life	R0280	180,253,887
	Non-life excluding health	R0290	178,496,457
	Health similar to non-life	R0300	1,757,430
	Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
	Health similar to life	R0320	
	Life excluding health and index-linked and unit-linked	R0330	
	Life index-linked and unit-linked	R0340	
	Deposits to cedants	R0350	
	Insurance and intermediaries receivables	R0360	17,253,805
	Reinsurance receivables	R0370	66,104,042
	Receivables (trade, not insurance)	R0380	
	Own shares (held directly)	R0390	
	Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
	Cash and cash equivalents	R0410	7,472,545
	Any other assets, not elsewhere shown	R0420	36,572,783
	Total assets	R0500	336,935,005

S02.01.02.01 Balance Sheet (continued)

Liabilities	Technical provisions - non-life	R0510	198,768,984
	Technical provisions - non-life (excluding health)	R0520	196,787,360
	Technical provisions calculated as a whole	R0530	
	Best Estimate	R0540	194,706,885
	Risk margin	R0550	2,080,475
	Technical provisions - health (similar to non-life)	R0560	1,981,624
	Technical provisions calculated as a whole	R0570	
	Best Estimate	R0580	1,952,700
	Risk margin	R0590	28,924
	Technical provisions - life (excluding index-linked and unit-linked)	R0600	
	Technical provisions - health (similar to life)	R0610	
	Technical provisions calculated as a whole	R0620	
	Best Estimate	R0630	
	Risk margin	R0640	
	Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	
	Technical provisions calculated as a whole	R0660	
	Best Estimate	R0670	
	Risk margin	R0680	
	Technical provisions - index-linked and unit-linked	R0690	
	Technical provisions calculated as a whole	R0700	
	Best Estimate	R0710	
	Risk margin	R0720	
	Other technical provisions	R0730	
	Contingent liabilities	R0740	
	Provisions other than technical provisions	R0750	
	Pension benefit obligations	R0760	
	Deposits from reinsurers	R0770	
	Deferred tax liabilities	R0780	
	Derivatives	R0790	
	Debts owed to credit institutions	R0800	
	Financial liabilities other than debts owed to credit institutions	R0810	
	Insurance & intermediaries payables	R0820	
	Reinsurance payables	R0830	108,842,023
	Payables (trade, not insurance)	R0840	4,757,514
	Subordinated liabilities	R0850	
	Subordinated liabilities not in Basic Own Funds	R0860	
	Subordinated liabilities in Basic Own Funds	R0870	
	Any other liabilities, not elsewhere shown	R0880	5,958,728
	Total liabilities	R0900	318,327,249
Excess of assets over liabilities		R1000	18,607,755

S.05.01.02.01 Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

Z Axis:

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted					Total
			Medical expense insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
			C0010	C0060	C0070	C0080	C0090	C0200
Premiums written	Gross - Direct Business	R0110	5,829,877	841,923	23,022,550	38,274,415	4,122,290	72,091,056
	Gross - Proportional reinsurance accepted	R0120						
	Gross - Non-proportional reinsurance accepted	R0130						
	Reinsurers' share	R0140	5,246,889	762,886	21,094,054	35,046,007	3,819,357	65,969,194
	Net	R0200	582,988	79,037	1,928,496	3,228,408	302,933	6,121,862
Premiums earned	Gross - Direct Business	R0210	5,829,877	1,545,650	24,061,997	35,921,038	7,300,208	74,658,771
	Gross - Proportional reinsurance accepted	R0220						
	Gross - Non-proportional reinsurance accepted	R0230						
	Reinsurers' share	R0240	5,246,889	1,299,398	22,016,501	33,037,082	6,875,451	68,475,322
	Net	R0300	582,988	246,252	2,045,495	2,883,957	424,757	6,183,449
Claims incurred	Gross - Direct Business	R0310	1,322,810	186,620	20,638,293	7,320,330	20,040,939	49,508,992
	Gross - Proportional reinsurance accepted	R0320						
	Gross - Non-proportional reinsurance accepted	R0330						
	Reinsurers' share	R0340	1,190,529	167,958	18,574,464	6,617,355	18,300,322	44,850,628
	Net	R0400	132,281	18,662	2,063,829	702,975	1,740,617	4,658,364
Changes in other technical provisions	Gross - Direct Business	R0410	1,129,168	1,545,767	8,455,282	34,623,674	(9,440,718)	36,313,173
	Gross - Proportional reinsurance accepted	R0420						
	Gross - Non-proportional reinsurance accepted	R0430						
	Reinsurers' share	R0440	1,016,251	1,445,381	8,611,138	32,005,824	(8,257,007)	34,821,587
	Net	R0500	112,917	100,386	(155,856)	2,617,850	(1,183,712)	1,491,586
Expenses incurred		R0550	3,372,254	929,250	16,281,467	2,993,032	560,998	24,137,000
Other expenses		R1200						
Total expenses		R1300						24,137,000

S.05.02.01.01 Home Country - non-life obligations

Z Axis:

			Home country Home country C0080
Premiums written	Gross - Direct Business	R0110	753,613
	Gross - Proportional reinsurance accepted	R0120	
	Gross - Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	678,251
	Net	R0200	75,361
Premiums earned	Gross - Direct Business	R0210	986,459
	Gross - Proportional reinsurance accepted	R0220	
	Gross - Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	887,813
	Net	R0300	98,646
Claims incurred	Gross - Direct Business	R0310	32,490
	Gross - Proportional reinsurance accepted	R0320	
	Gross - Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	22,941
	Net	R0400	9,549
Changes in other technical provisions	Gross - Direct Business	R0410	618,020
	Gross - Proportional reinsurance accepted	R0420	
	Gross - Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	556,198
	Net	R0500	61,822
Expenses incurred		R0550	
Other expenses		R1200	
Total expenses		R1300	

S.05.02.01.02 Top 5 countries (by amount of gross premiums written) - non-life obligations

Z Axis:

			Other than home country				
			Country (by amount of gross premiums written) - non-life obligations				
			FRANCE	GERMANY	IRELAND	ITALY	UNITED KINGDOM
			C0090_76	C0090_83	C0090_106	C0090_109	C0090_234
Premiums written	Gross - Direct Business	R0110	6,974,323	5,927,245	2,512,837	5,153,012	43,957,708
	Gross - Proportional reinsurance accepted	R0120					
	Gross - Non-proportional reinsurance accepted	R0130					
	Reinsurers' share	R0140	6,243,993	5,392,168	2,199,342	4,746,101	40,396,738
	Net	R0200	730,330	535,076	313,495	406,912	3,560,970
Premiums earned	Gross - Direct Business	R0210	8,055,508	5,151,609	2,629,125	8,682,296	42,235,482
	Gross - Proportional reinsurance accepted	R0220					
	Gross - Non-proportional reinsurance accepted	R0230					
	Reinsurers' share	R0240	7,120,217	4,694,096	2,304,002	8,118,783	38,942,435
	Net	R0300	935,291	457,513	325,124	563,513	3,293,047
Claims incurred	Gross - Direct Business	R0310	1,246,192	17,870	4,080,819	28,091,281	30,192,011
	Gross - Proportional reinsurance accepted	R0320					
	Gross - Non-proportional reinsurance accepted	R0330					
	Reinsurers' share	R0340	1,175,817	16,083	3,672,737	25,925,795	27,217,073
	Net	R0400	70,375	1,787	408,082	2,165,487	2,974,938
Changes in other technical provisions	Gross - Direct Business	R0410	3,564,019	3,592,662	754,252	(16,590,282)	23,729,928
	Gross - Proportional reinsurance accepted	R0420					
	Gross - Non-proportional reinsurance accepted	R0430					
	Reinsurers' share	R0440	3,207,159	3,285,745	678,827	(15,077,803)	23,144,182
	Net	R0500	356,860	306,916	75,425	(1,512,479)	585,746
Expenses incurred		R0550					
Other expenses		R1200					
Total expenses		R1300					

S.05.02.01.03 Total Top 5 and home country - non-life obligations

Z Axis:

			Non-life and Health non-SLT Total Top 5 and home country C0140
Premiums written	Gross - Direct Business	R0110	65,278,737
	Gross - Proportional reinsurance accepted	R0120	
	Gross - Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	59,656,593
	Net	R0200	5,622,144
Premiums earned	Gross - Direct Business	R0210	67,740,479
	Gross - Proportional reinsurance accepted	R0220	
	Gross - Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	62,067,346
	Net	R0300	5,673,133
Claims incurred	Gross - Direct Business	R0310	63,660,663
	Gross - Proportional reinsurance accepted	R0320	
	Gross - Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	58,030,445
	Net	R0400	5,630,218
Changes in other technical provisions	Gross - Direct Business	R0410	15,668,599
	Gross - Proportional reinsurance accepted	R0420	
	Gross - Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	15,794,308
	Net	R0500	(125,709)
Expenses incurred		R0550	
Other expenses		R1200	
Total expenses		R1300	

S.23.01.22.01 Own funds

Z Axis:

			Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector	Ordinary share capital (gross of own shares)	R0010	34,260,000	34,260,000			
	Non-available called but not paid in ordinary share capital at group level	R0020					
	Share premium account related to ordinary share capital	R0030					
	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
	Subordinated mutual member accounts	R0050					
	Non-available subordinated mutual member accounts at group level	R0060					
	Surplus funds	R0070					
	Non-available surplus funds at group level	R0080					
	Preference shares	R0090					
	Non-available preference shares at group level	R0100					
	Share premium account related to preference shares	R0110					
	Non-available share premium account related to preference shares at group level	R0120					
	Reconciliation reserve	R0130	(15,652,245)	(15,652,245)			
	Subordinated liabilities	R0140					
	Non-available subordinated liabilities at group level	R0150					
	An amount equal to the value of net deferred tax assets	R0160					
	The amount equal to the value of net deferred tax assets not available at the group level	R0170					
	Other items approved by supervisory authority as basic own funds not specified above	R0180					
	Non available own funds related to other own funds items approved by supervisory authority	R0190					
	Minority interests (if not reported as part of a specific own fund item)	R0200					
	Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
	whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
	Deductions for participations where there is non-availability of information (Article 229)	R0250					
	Deduction for participations included by using D&A when a combination of methods is used	R0260					
	Total of non-available own fund items	R0270					
Total deductions		R0280					
Total basic own funds after deductions		R0290	18,607,755	18,607,755			

S23.01.22.01 Own Funds (continued)

Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	R0300					
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
	Unpaid and uncalled preference shares callable on demand	R0320					
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
	Non available ancillary own funds at group level	R0380					
	Other ancillary own funds	R0390					
Total ancillary own funds		R0400					
Own funds of other financial sectors	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	R0410					
	Institutions for occupational retirement provision	R0420					
	Non regulated entities carrying out financial activities	R0430					
	Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1	Own funds aggregated when using the D&A and combination of method	R0450					
	Own funds aggregated when using the D&A and combination of method net of IGT	R0460					
	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	18,607,755	18,607,755			
	Total available own funds to meet the minimum consolidated group SCR	R0530	18,607,755	18,607,755			
	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	18,607,755	18,607,755			
	Total eligible own funds to meet the minimum consolidated group SCR	R0570	18,607,755	18,607,755			
Minimum consolidated Group SCR		R0610	3,406,919				
Ratio of Eligible own funds to Minimum Consolidated Group SCR		R0650	546%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)		R0660	18,607,755	18,607,755			
Group SCR		R0680	13,627,675				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A		R0690	137%				

S.23.01.22.02 Reconciliation reserve

Z Axis:

				C0060
Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	Reconciliation reserve	Excess of assets over liabilities	R0700	18,607,755
		Own shares (held directly and indirectly)	R0710	
		Foreseeable dividends, distributions and charges	R0720	
		Other basic own fund items	R0730	34,260,000
		Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
		Other non available own funds	R0750	(15,652,245)
	Reconciliation reserve		R0760	
	Expected profits	Expected profits included in future premiums (EPIFP) - Life business	R0770	
		Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
	Total Expected profits included in future premiums (EPIFP)		R0790	

S.25.01.22.01 Basic Solvency Capital Requirement
Z Axis:

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	1,076,575	
Counterparty default risk	R0020	6,193,811	
Life underwriting risk	R0030		
Health underwriting risk	R0040	306,516	
Non-life underwriting risk	R0050	5,417,765	
Diversification	R0060	2,511,840	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	10,482,827	

S.25.01.22.02 Calculation of Solvency Capital Requirement

				Value
				C0100
Operational risk			R0130	3,144,848
Loss-absorbing capacity of technical provisions			R0140	
Loss-absorbing capacity of deferred taxes			R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			R0160	
Solvency Capital Requirement excluding capital add-on			R0200	13,627,675
Capital add-ons already set			R0210	
Solvency capital requirement for undertakings under consolidated method			R0220	13,627,675
Other information on SCR	Capital requirement for duration-based equity risk sub-module		R0400	
	Total amount of Notional Solvency Capital Requirements for remaining part		R0410	
	Total amount of Notional Solvency Capital Requirements for ring fenced funds		R0420	
	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios		R0430	
	Diversification effects due to RFF nSCR aggregation for article 304		R0440	
	Minimum consolidated group solvency capital requirement		R0470	3,406,919
Information on other entities	Capital requirement for other financial sectors (Non-insurance capital requirements)		R0500	
		Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management	R0510	
		Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities			R0530	
	Capital requirement for non-controlled participation requirements		R0540	
	Capital requirement for residual undertakings		R0550	
Overall SCR	SCR for undertakings included via D and A		R0560	13,627,675
	Solvency capital requirement		R0570	13,627,675

S.32.01.22.01 Undertakings in the scope of the group

Country	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
						% capital share (Numeric)	% used for the establishment of consolidated accounts (Numeric)	% voting rights (Numeric)	Other criteria (Text)	Level of influence (QName)	Proportional share used for group solvency calculation (Numeric)	Yes/No (QName)	Date of decision if art. 214 is applied (Date)	Method used and under method 1, treatment of the undertaking (QName)
C0010	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
MALTA	ArgoGlobal SE	Non-Life undertakings	Private Limited Liability Company	Null value	Malta Financial Services Authority	100.00%	100.00%	0.00%	N/A	Significant	100.00%	Included into scope of group supervision		Method 1: Full consolidation
MALTA	ArgoGlobal Holdings (Malta) Limited	Insurance holding company as defined in Art. 212§ [f] of Directive 2009/138/EC	Private Limited Liability Company	Null value	Malta Financial Services Authority	0.00%	0.00%	0.00%	N/A	Null value	0.00%	Included into scope of group supervision		Method 1: Full consolidation

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

to the Directors of ArgoGlobal Holdings (Malta) Limited

Report on the Group Solvency II Regulatory Returns

Opinion

We have audited the information and templates ("the Returns") of the Group Solvency and Financial Condition Report ("SFCR") as per below and pursuant to Insurance Rule Chapter 8.10 and 8.11, issued by the Malta Financial Services Authority ("MFSA") under the Insurance Business Act, Cap. 403 of the Laws of Malta, of ArgoGlobal Holdings (Malta) Limited and its subsidiaries (the "Group") for the year ended 31 December 2020;

a) the information that the group shall disclose pursuant to Articles 296 and 297 and 359 (d) and (e) of the Commission Delegated Regulation (EU) 2015/35;
b) the applicable templates of the SFCR referred to in Annex V of Insurance Rule Chapter 8 as follows:

I. Group SFCR
   i. template S.02.01.02 of Annex I of the Commission Implementing Regulation (EU) 2015/2452 ("the Regulation")
   ii. template S.23.01.22 of Annex I of the Regulation;
   iii. template S.25.01.22 of Annex I of the Regulation;

In our opinion, the accompanying Returns for the year ended 31 December 2020 are prepared in all material respects in accordance with the framework referred to in the Insurance Rule Chapter 8.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Returns* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants*(the *"IESBA Code"*) together with the ethical requirements that are relevant to our audit of the Returns in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

to the Directors of ArgoGlobal Holdings (Malta) Limited

Report on the Group Solvency II Regulatory Returns

Other information

The directors are responsible for the other information. The other information comprises the information included in the SFCR, other than the Returns and our auditor's report thereon.

Our opinion on the Returns does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Returns, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Returns or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of matter – Basis of preparation and restriction on distribution and use

We draw attention to the basis of preparation of the Returns that is in accordance with the framework referred to in the Insurance Rule Chapter 8. As a result, the returns may not be suitable for any other purpose. Our report is not modified in respect of this matter.

Our report is intended solely for the Directors of the Group. We understand that our report will be made available to the MFSA in support of the Group's obligation under Insurance Rule Chapter 8. Our report is intended solely for this purpose and should not be distributed or otherwise made available, in whole or in part, to parties other than the Directors and MFSA without our prior written consent.

Other matter

ArgoGlobal SE and ArgoGlobal Holdings (Malta) Limited have prepared separate set of financial statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU on which we issued separate auditors' reports to the shareholders of the Company dated 5th May 2021.

INDEPENDENT AUDITOR'S REPORT

to the Directors of ArgoGlobal Holdings (Malta) Limited

Report on the Group Solvency II Regulatory Returns

Responsibilities of the directors for the Returns

The directors are responsible for the preparation and fair presentation of the Returns in accordance with the requirements of Insurance Rule 8 and for such internal control as the directors determine is necessary to enable the preparation of the Returns that are free from material misstatement, whether due to fraud or error.

In preparing the Returns, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Returns

Our objectives are to obtain reasonable assurance about whether the Returns as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Returns.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Returns, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

INDEPENDENT AUDITOR'S REPORT

to the Directors of ArgoGlobal Holdings (Malta) Limited

Report on the Group Solvency II Regulatory Returns

Auditor's responsibilities for the audit of the Returns - continued

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Returns or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the Returns, including the disclosures, and whether the Returns represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The partner in charge of the audit resulting in this independent auditor's report is Shawn Falzon for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

05 May 2021